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D.C. expects health care legislation to save millions of dollars

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D.C. officials say the city will save millions of dollars from the recently approved federal health-care bill, a reward of sorts for the District's years-long push to offer nearly universal insurance access to its residents.

The windfall for the District, which will be seen this year as it starts transferring childless adults from a city-backed insurance program to Medicaid, underscores how different states face different obstacles or advantages as they begin implementing the federal health-care legislation.

While states such as Virginia, which has limited health-care benefits for the poor and middle class, will probably struggle to conform to the law, the District and states that have made greater investments in expanding health insurance expect a smoother transition.

"The District is in the enviable position of being five years ahead of the nation," said D.C. Council member David A. Catania (I-At Large), chairman of the Health Committee. "For nearly the past decade, the District has been doing what is right: Using local funds for health insurance. And now we are going to reap the benefit."

In a report scheduled to be released Wednesday, city officials will announce that only 6.2 percent of District residents are uninsured, less than half the national average and lagging behind only Massachusetts in total percentage of uninsured residents.

The District's success -- all but 3 percent of District children are covered -- stems from its recent efforts to invest tens of millions of dollars to extend coverage to the uninsured through Medicaid and other locally funded programs.

In the District, parents of children are eligible for Medicaid if they make up to 200 percent of the federal poverty level, which is an income of \$29,140 a year for a family of two. By comparison, in Virginia, a parent with one child is eligible for Medicaid only if they make up to 29 percent of the poverty limit, about \$4,225 a year.

But under the new federal health-care law, states will have to expand Medicaid eligibility for all adults to 133 percent of the poverty level starting in 2014.

Currently, the federal government does not subsidize health insurance for poor adults who do not have children or immigrants in the country illegally. The District, where five years ago 13.5 percent of residents lacked health insurance, has been engaged in a sustained effort to get to universal coverage. Over the past decade, the city began spending tens of millions of dollars

annually to extend coverage to childless adults and illegal immigrants who make up to 200 percent the poverty limit and are not covered by Medicaid.

Now, under the legislation signed by President Obama last month, states can immediately begin transferring childless adults who meet the requirements to Medicaid, according to city officials.

While the District pays \$200 per person per month to enroll childless adults and illegal immigrants in Alliance Insurance, the city's share of its Medicaid match will be only \$105 per person per month, according to Catania.

"We are going to cut our costs nearly in half, and we will provide a better benefit," said Catania, who estimates that as many as 20,000 childless adults will be shifted to Medicaid this year.

In states that have greater numbers of uninsured, such as Maryland and Virginia, there is widespread confusion about what, if any, long-term costs state budgets will have to absorb to implement the law.

Various interest groups and associations are rushing to complete analyses of the law's impact on state budgets. Until they are complete, questions about costs to states are clouded by the national political debate over the legislation.

Virginia Gov. Robert F. McDonnell (R), who estimates that it will cost his state \$1.1 billion over 10 years to implement the health-care overhaul, called the legislation "the biggest unfunded mandate" in history.

"This will have a significant and unavoidable impact on the bottom line of our state budget, and the general fiscal welfare of Virginia," McDonnell said. "We simply cannot afford this expansion."

Virginia will have to add several hundred thousand residents to Medicaid starting in 2014. But under the bill approved by Congress, the federal government will pay 100 percent of Medicaid costs for new enrollees in 2014 through 2016. After that, the state's share for those enrollees will gradually increase to 10 percent by 2020.

States will also have to absorb additional administrative costs for the new enrollees, Virginia officials said.

Despite those costs, Deborah D. Oswalt, executive director of the Virginia Healthcare Foundation, said her state will benefit greatly from the legislation because it will be receiving a lot of federal help to increase its Medicaid rolls.

"Virginia is going to be able to bring in a lot more federal money and pay for a lot more health care for people," Oswalt said. "At the end of the day, the state pays 10 percent and the feds pay 90 percent, so that is a pretty good deal."

Robin Rudowitz, associate director for the Kaiser Commission on Medicaid and the Uninsured, agreed. Although Rudowitz said the District is a "prime example" of a jurisdiction that will benefit in the short term from the new law, she said states such as Virginia with limited coverage will benefit in the long term because of additional federal help.

"A state like Virginia, although they have a lot more to go, they are going to get a lot of new money," Rudowitz said.

In Maryland, the administration of Gov. Martin O'Malley (D) is estimating that the state will eventually save several hundred million dollars from the health-care overhaul.

In 2007, Maryland increased its Medicaid eligibility for parents from 30 percent of the poverty level up to 116 percent, allowing 50,000 additional people to be covered. Maryland also has a limited program to cover poor childless adults, many of whom can now be transferred to Medicaid.

"States are going to face this differently, and they have to respond to it differently, but this is one where we think this is a great opportunity," said John M. Colmers, secretary of the Maryland Department of Health and Mental Hygiene.